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January 1965

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## INTELLIGENCE BRIEF

THE OUTLOOK FOR INCREASED COMPETITION  
FROM SOVIET SHIPS ON THE WORLD CHARTER MARKET  
THROUGH 1965

DIRECTORATE OF INTELLIGENCE

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THE OUTLOOK FOR INCREASED COMPETITION  
FROM SOVIET SHIPS ON THE WORLD CHARTER MARKET  
THROUGH 1965

As the result of a vigorous and expanding program of ship acquisitions, the tonnage of the Soviet merchant marine jumped from eleventh to seventh place among the fleets of the world in 1963 -- a jump that has created a growing concern among shipowners of the Free World. In January 1964 the USSR provided further cause for concern by announcing that the volume of cargoes carried by Soviet ships between non-Soviet ports (foreign interport cargoes) was to increase sharply during 1964 and 1965. 1/ If this increase is achieved, the volume of charter business available to shipowners of the Free World in the carrying of foreign interport cargoes will be reduced by an equivalent amount.

1. Background

Until January 1964, Soviet vessels had been permitted to carry foreign interport cargoes for non-Communist shippers only when there was no significant deviation from the route normally followed by the ship in carrying Soviet cargoes. Inasmuch as exports amount to 90 percent of the tonnage of Soviet seaborne foreign trade, a heavy proportion of the foreign interport cargoes carried by Soviet ships was carried by vessels returning to the USSR in ballast after the delivery of exports. Part of the planned increase in the volume of foreign interport cargoes in 1964 and 1965 undoubtedly will be accounted for by vessels returning to the USSR from the delivery of exports. Developments in 1964 indicate, however, that the USSR is now able to make additional shipping available to charterers of the Free World and that these vessels also will contribute to the planned increases in the volume of foreign interport cargo. The additional shipping will consist of vessels that are surplus to Soviet requirements at certain times of the year. 2/ Temporary short-term surpluses of tonnage can occur during the late fall and winter months, when many ports in the northern areas of the USSR are iced in and shipping requirements are diminished.

2. Prospects

During the 1963/64 winter season, only two Soviet vessels are known to have been made available to charterers of the Free World because of a seasonal surplus of tonnage. 3/ It appears that the

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number will be higher during the 1964/65 winter season. At least five Soviet vessels have already been withdrawn from their normal patterns of activity to fulfill commitments to charterers of the Free World. 4/ In addition, a number of ice-reinforced ships that operate on the Northern Sea Route during the summer have been assigned to a new Soviet cargo line intended to link Montreal and the Western European ports of Antwerp, Hamburg, and Rotterdam during the winter months, when ice prevents the movement of conventional vessels into the St. Lawrence. 5/ This will be the first Soviet liner service not involving calls in Soviet ports.

The decision to make surplus tonnage available to charterers of the Free World will contribute to the planned increase in the volume of foreign interport cargoes carried by Soviet ships. The amount of Soviet tonnage available because of seasonal surpluses (through 1965, at least) will be relatively small, however, and should cause little concern on the part of shipowners of the Free World.

Sources:

1. Morskoy flot, Jan 64, p. 40. U.
2. Ibid., Mar 64, p. 35. U.  
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3. Morskoy flot, Aug 64, p. 45. U.
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25X1A DIA. [REDACTED] 2630/64, 29 Sep 64. OFF USE.  
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5. State, Ottawa. Airgram A-393, 19 Nov 64. U.

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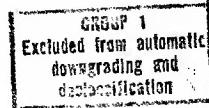
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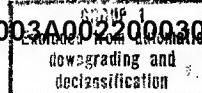
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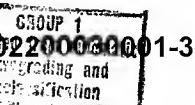
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